SUBCOMMITTEE NO. 3 Agenda
Health, Human Services, Labor & Veteran's Affairs

Chair, Senator Elaine K. Alquist
Senator Alex Padilla
Senator Dave Cogdill

Thursday, March 29, 2007
9:30 am
Room 4203 (John L. Burton Hearing Room)
(Eileen Cubanski, Consultant)

Discussion Agenda

Discussion Agenda Summary

Topic 1: CalWORKs Overview

This panel will discuss:
- Issue 1: CalWORKs Requirements and Funding (Page 4)
- Issue 2: CalWORKs Caseload Characteristics (Page 12)

Presenters:
- Charr Lee Metsker, Deputy Director, Welfare to Work, Department of Social Services
- Todd Bland, Legislative Analyst's Office

Topic 2: Update on Implementation of Recent Reforms

This panel will discuss:
- Issue 3: Recent CalWORKs Program Changes (Page 23)

Presenters:
- Charr Lee Metsker, Deputy Director, Welfare to Work, Department of Social Services
- Frank Mecca, Executive Director, California Welfare Directors Association
- Will Lightbourne, Agency Director, Santa Clara County Social Services Agency
- Bruce Wagstaff, Director, Sacramento County Department of Human Assistance
- Michael Herald, Legislative Advocate, Western Center on Law and Poverty

Public Testimony on Topic 1 and Topic 2 will be taken at the conclusion of Topic 2.

Topic 3: CalWORKs Proposals in the 2007-08 Budget

This panel will discuss:
- Issue 4: Proposed 2007-08 CalWORKs Budget (Page 28)
- Issue 5: Sanction and Safety Net Research (Page 30)
- Issue 6: Impact of Recent Policy Changes and the Governor's Budget on the Work Participation Rate (WPR) (Page 33)

Presenters:
- Charr Lee Metsker, Deputy Director, Welfare to Work, Department of Social Services
- Nick Buchen and Jay Kapoor, Department of Finance
- Todd Bland, Legislative Analyst's Office
- Frank Mecca, California Welfare Directors Association
- Michael Herald, Legislative Advocate, Western Center on Law and Poverty

Topic 4: CalWORKs Cost-of-Living Adjustment

This panel will discuss:
- Issue 7: CalWORKs Cost-of-Living Adjustment (COLA) (Page 35)

Presenters:
- Charr Lee Metsker, Deputy Director, Welfare to Work, Department of Social Services
- Michael Herald, Legislative Advocate, Western Center on Law and Poverty

Public Testimony on Topic 3 and Topic 4 will be taken at the conclusion of Topic 4.

Topic 5: Semiannual Reporting

This panel will discuss:
- Issue 8: Semiannual Reporting Trailer Bill Language (Page 37)

Presenters:
- Charr Lee Metsker, Deputy Director, Welfare to Work, Department of Social Services
- Cathy Senderling, Senior Legislative Advocate, California Welfare Directors Association
- George Manalo-LeClair, Director of Legislation, California Food Policy Advocates

Topic 6: Department of Social Services Staff Requests

This panel will discuss:
- Issue 9: State Support for CalWORKs (Page 39)

Presenter:
- Charr Lee Metsker, Deputy Director, Welfare to Work, Department of Social Services

Public Testimony on Topic 5 and Topic 6 will be taken at the conclusion of Topic 6.

Discussion Agenda

5180 Department of Social Services (DSS)

Issue 1: CalWORKs Requirements and Funding

Program Achievements

- Hundreds of thousands of families are working and off time-limited aid since 1995. More adults on aid are working and they are earning more under CalWORKs.

- CalWORKs encourages work and self-sufficiency while maintaining a safety net for low-income children.

Notwithstanding these significant achievements, continued efforts must be made to increase the number of parents who are working without jeopardizing the well-being of their children. This will lead to a higher work participation rate in California and bring these families closer to self-sufficiency.

California Work Opportunity and Responsibility to Kids (CalWORKs) Program

Program Description: CalWORKs provides cash benefits and welfare-to-work services to children and their parents or caretaker relatives who meet specified eligibility criteria including having a family income below the CalWORKs minimum basic standard of adequate care, having less than $2,000 in resources, and having a car valued at $4,650 or less. The average family of three must have an annual net income below $12,782, or 77 percent of the federal poverty level, to be eligible for CalWORKs. Under state law, adults in single-parent families are required to participate in welfare-to-work activities and perform a minimum of 32 hours of work or work-related activities per week. Two-parent families are required to participate for 35 hours per week. Adults have a lifetime limit of five years (60 months) in CalWORKs.

CalWORKs was established by the Legislature and Governor in 1997, in response to the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA). PRWORA created the Temporary Assistance for Needy Families (TANF) program, which replaced the Aid to Families with Dependent Children (AFDC), Emergency Assistance (EA), and Jobs Opportunities and Basic Skills Training (JOBS) programs. PRWORA significantly changed federal welfare policy and gave states more flexibility in designing their welfare programs under TANF. CalWORKs is California’s TANF program.

PRWORA established four purposes for state TANF programs:

1. Provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives.

2. End the dependence of needy parents on government benefits by promoting job preparation, work, and marriage.

3. Prevent and reduce the incidence of out-of-wedlock pregnancies.

4. Encourage the formation and maintenance of two-parent families.

The Department of Social Services (DSS) provides statewide oversight for CalWORKs and counties operate the program. Counties determine eligibility and provide case management, employment training, and supportive services, including substance abuse, mental health, and domestic violence services, child care, transportation assistance, and other work supports.

Funding Summary: CalWORKs is funded through an annual federal Temporary Assistance for Needy Families (TANF) block grant of $3.7 billion, plus $2.7 billion in state and county funds to meet a federal Maintenance of Effort (MOE) requirement. The state's TANF grant and MOE are based on the level of welfare spending in the state in 1994. The MOE may be adjusted downward for achievement of certain work participation goals. Under PRWORA, MOE-countable state spending must be for aided families or for families who are otherwise eligible for assistance (purposes 1 and 2 above). PRWORA restricted countable spending that promotes the formation and maintenance of two-parent families and teen pregnancy prevention (purposes 3 and 4 above) are for low-income families only. This restriction was changed in the Deficit Reduction Act (see discussion in Deficit Reduction Act section below).

Federal law permits the expenditure of TANF funds on a variety of programs and activities. Unexpended TANF funds can be carried over indefinitely into future years. Permitted TANF expenditures include:

- Any program designed to meet the four purposes of TANF listed above.

- Any purpose permitted under the AFDC program or under AFDC Emergency Assistance (EA). (For example, AFDC-EA could be used for juvenile probation.)

- Up to 10 percent of TANF funds may be transferred to the Title XX Social Services Block Grant and then expended in accordance with Title XX federal rules.

- Up to $961 million in TANF funds may be transferred to the Child Care and Development Block Grant (CCDBG) to fund child care for CalWORKs families.

Of the amount of TANF/MOE spent on CalWORKs, spending has shifted away from cash assistance and toward employment services. "Services" spending includes child care, transportation, case management, job search, vocational assessment, job training, mental health and substance abuse treatment, services to assist with domestic violence and learning disabilities, and other services aimed at helping CalWORKs clients find and maintain employment. In addition, a significant portion of TANF/MOE funding is spent on eligible programs outside of CalWORKs, which has saved the state $10.2 billion General Fund since 1996.

Deficit Reduction Act of 2005: TANF Reauthorization

Federal Deficit Reduction Act of 2005: TANF Provisions

- Reauthorized the TANF Program through FFY 2010
- Caseload Reduction Credit Rebased from FFY 1995 to FFY 2005
- MOE-Funded Cases Included in Work Participation Rate (WPR)
- Expanded Range of MOE-Countable Programs
- Federal Emergency Regulations effective October 1, 2006, defined:
  - Specific types of cases included in WPR.
  - Countable work activities.
  - Case reporting and documentation requirements.
- New State Penalty for Failure to Verify Work Participation

The federal Deficit Reduction Act of 2005, approved by Congress and the President in February 2006, effectively increased the state's required work participation rate to 50 percent for all CalWORKs cases and 90 percent for two-parent cases. The state's work participation rates are currently 23 percent for all cases and 32 percent for two-parent cases (not including the effects of the CalWORKs changes made last year and the 2007-08 Governor's Budget, which are discussed later in this agenda). The new work participation rate requirements became effective October 1, 2006, in Federal Fiscal Year (FFY) 2007.

The Act also authorized the federal Secretary of Health and Human Services to issue emergency regulations to establish the types of aid cases included in the work participation rate, define federally-countable work activities, and establish reporting and documentation requirements to verify client work hours. These regulations were released in June 2006 and became effective October 1, 2006. Finally, the Act increases funding for child care; California's share is estimated to be approximately $25 million per year.

Calculation of Caseload Reduction Credit

Prior to the Deficit Reduction Act, the caseload reduction credit was based on the caseload reduction since FFY 1995, the base year established in PRWORA. States are allowed to reduce their required WPR by the rate of caseload reduction since the base year. Most states, including California, would not have met the required WPR for FFY 2001 through FFY 2006 absent the caseload reduction credit. For example, since California's caseload dropped by 43.3 percent between 1995 and 2002, the state's All-Families WPR requirement was reduced from 50 percent to 6.7 percent in 2002. California's actual WPR of 27.3 percent in FFY 2002 exceeded the adjusted required WPR of 6.7 percent.

Base Period Reset to FFY 2005: The Deficit Reduction Act set FFY 2005 as the new base year for the caseload reduction credit. This would substantially increase the effective WPR that states are required to meet. States whose caseload have not declined or have increased since FFY 2005 would have to meet the maximum WPR starting in FFY 2007, which began October 1, 2006. The CalWORKs caseload has leveled off in recent years and is not expected to significantly decline without program changes.

More Spending Countable Toward the MOE Requirement

The Deficit Reduction Act expands the definition of what types of state spending may be used to meet the MOE requirement. Currently, countable state spending must be for aided families or for families who are otherwise eligible for assistance. The Act allows state expenditures designed to prevent out-of-wedlock pregnancies or promote the formation of two-parent families (TANF purposes 3 and 4) to count toward the MOE requirement even if the target population is not otherwise eligible for aid. Essentially, the Act removes the requirement that countable spending that promotes the formation and maintenance of two-parent families and teen pregnancy prevention be on behalf of low-income families. The impact of these changes on California's MOE level is discussed in the upcoming section on the 2007-08 Governor's Budget.

Countable Work Activities and Verification Requirements

Required Hours of Work: To comply with federal work participation rates, adults must meet an hourly participation requirement each week. For single-parent families with a child under age 6, the weekly participation requirement is 20 hours. The requirement goes up to 30 hours for single parents in which the youngest child is at least age 6. For two-parent families the requirement is 35 hours per week. The participation hours can be met through unsubsidized employment, subsidized employment, certain types of training and education related to work, and job search (for a limited time period).

New Federal Regulatory Authority: The Deficit Reduction Act gives the Secretary of the U.S. Department of Health and Human Services new authority to promulgate regulations concerning "verification of work and work eligible individuals." These regulations were released in June 2006, and were effective October 1, 2006, at the beginning of FFY 2007. The major provisions of those regulations include:

- Aid cases included in the work participation rate are defined to include families with unaided adults who have aided children, i.e., safety net and sanctioned cases. These cases were previously not required to be included in the calculation of the federal work participation rate.

- The federally-countable work activities defined closely mirror California's definitions of work activity with a few exceptions in which the state has less flexibility in determining which activities will count toward the work participation rate. The state will need to change which activities are counted as vocational education and can only count recipients without a high school diploma/GED as participating in education directly related to employment.

- Reporting and documentation requirements to verify client work hours are narrowly defined and have been standardized. Daily supervision is required and must be documented in order to count activities that are not unsubsidized employment. Only monitored and documented study sessions may be counted; all other study time hours are prohibited from being included. These changes will require additional data collection by the counties and the state.

Calculation of Federal Work Participation Rate (WPR)

To avoid a federal penalty, states must meet an "All-Families" work participation rate (WPR) of 50 percent, and a "Two-Parent Families" WPR of 90 percent, subject to adjustment for any caseload reduction credit. These rates were established in PRWORA and were not changed by the Deficit Reduction Act.

However, prior to the Deficit Reduction Act, the WPR was based only on TANF-funded cases. MOE-funded cases were excluded. This allowed states to avoid penalties for not meeting the two-parent 90 percent WPR by using MOE funds instead of TANF funds for two-parent cases. California, like many other states, excluded two-parent families from the All-Families WPR calculation by using only MOE funds for those cases. Since the state did not have any TANF-funded two-parent cases, it effectively avoided the two-parent WPR requirement and penalty.

MOE-Funded Cases No Longer Excluded: Subject to certain exceptions, the Deficit Reduction Act requires both TANF and MOE-funded cases with aided adults to be included in the All-Families WPR calculation, effective October 1, 2006. This means that two-parent families will now be included in the All-Families WPR (50 percent participation rate required) and that the state must also meet a 90 percent participation rate for the Two-Parent caseload. Note that if the state meets the All-Families WPR but not the Two-Parent WPR, the penalty would be reduced by about 85 percent because the amount of the penalty is tied to the relative size of the two-parent caseload in comparison to the overall caseload. The following table summarizes the major changes to the WPR calculation.

Deficit Reduction Act of 2005
Major Changes to Work Participation Calculation

Provision	Prior Law/Regulations	Deficit Reduction Act/ Associated Regulations	Impact on Participation Rate Calculation
Calculation of caseload reduction credit (CRC)	Based on reduction since FFY 1995 (46%)	Based on reduction since FFY 2005 (3.5%)	Reduces CRC by 42 percentage points
Separate State Programs (SSP)	Cases in SSP excluded from a work participation calculation	Cases in SSP must be included in work participation calculation	State may no longer avoid 90 percent rate for two-parent families through SSP
Adults in sanction for more than 90 days	When adult is removed from case for sanction, the case is excluded from work participation calculation	Must be included in work participation calculation	Adds 40,100 cases to participation calculation (+40,100 in denominator)
Safety net for children of parent hitting five-year time limit	When adult is removed from a case for time limit, the case is excluded from work participation calculation	Must be included in work participation calculation	Adds 46,000 cases to participation calculation, 9,000 of which are meeting work requirement (+9,000 to numerator, +46,000 to denominator)
Caring for ill or incapacitated family member	Included in work participation calculation	Excluded from work participation calculation	Removes 5,000 cases from work participation calculation (-5,000 from denominator)

FFY = federal fiscal year.
Source: LAO 2007-08 Budget Analysis

Calculation of the All-Families Work Participation Rate (WPR): 50 Percent Requirement

Numerator	=	Number of families with aided adult (including sanctioned and safety net families) participating in countable activities for 30 hours (single parent)* or 35 hours (two-parent) per week
Denominator		Number of families with aided adult**

* 20 hours for a single parent with a child under age 6
**Excludes single parents with children under age 1, Tribal TANF cases and cases sanctioned for less than 3 months in a 12 month period.

Calculation of the Two-Parent Work Participation Rate (WPR): 90 Percent Requirement

Numerator	**=**	Number of two-parent families with aided adults (including sanctioned and safety net families) participating in countable activities for 35 hours per week
Denominator		Number of two-parent families with two aided adults***

***Excludes Tribal TANF cases and cases sanctioned for less than 3 months in a 12-month period. A two-parent family with a disabled parent is considered a one-parent family in the WPR calculation.

WPR Under Prior and Current Law: As shown in the following table, California's WPR for all families would be almost 28 percent under the prior rules. Under the new rules imposed by the Deficit Reduction Act, the WPR falls to just over 23 percent. This is due to the inclusion of two-parent families, sanctioned families, and safety net families into the denominator of the WPR calculation. Most of the decline is due to sanctioned cases and safety net cases. For two-parent families, the participation rate is 33.6 percent under the new rules.

Work Participation Status—All Families[a]
Under Prior and Current Law

	Prior Law and Regulations	Current Law/DRA Regulations	Change From Prior Law
Families meeting requirements	60,148	69,174	9,026
Families subject to participation	215,822	296,975	81,153
	=	=	
Participation rate	27.9%	23.3%	-4.6%

a Based on California data from federal fiscal year 2005.
DRA = Deficit Reduction Act of 2005.
Source: LAO 2007-08 Budget Analysis

Federal Penalties and Increased MOE

Work Participation Rate Penalty and MOE Increase: If the state fails to meet the work participation rate requirements in FFY 2007 (which began October 1, 2006), it is subject to a penalty of up to a five percent reduction in the federal TANF grant, or approximately $149 million, depending on the degree on non-compliance. The state would be required to backfill the penalty amount with General Fund resources. This penalty increases two percent each year, or about $60 million, to a maximum of 21 percent of the TANF grant. The penalty for FFY 2007 performance could be payable as early as state fiscal year 2008-09.

In addition, if the state fails to meet the work participation rate requirements, the state would also be required to increase General Fund MOE spending by five percent or approximately $180 million. If the state fails to meet the required work participation rate for FFY 2007, the effective budget impact would occur in state fiscal year 2009-10.

Work Participation Verification Penalty: If the state fails to establish or comply with the work participation verification procedures released by the federal HHS Secretary on June 30, 2006, California will be subject to a penalty of between one and five percent, or between about $30 million and $149 million, of the federal TANF grant, based on the degree of non-compliance. This is in addition to the WPR penalty.

Note that the amount of the federal penalties may vary depending on TANF transfers to Title XX, Tribal TANF, and CCDF programs. Also, as previously noted, if the state meets the All-Families WPR but not the Two-Parent WPR, the penalty would be reduced by about 85 percent because the amount of the penalty would be tied to the relative size of the two-parent caseload in comparison to the overall caseload.

Corrective Compliance Plan: Maximum total penalty and increased MOE exposure is $298 million General Fund in 2008-09, and $538 million in 2009-10. However, the state may be able to negotiate a corrective compliance plan with the federal HHS Secretary for either the WPR penalty or the work verification penalty. Corrective compliance plans would reduce or eliminate the federal penalties but also require the state to comply with federal requirements to keep the penalty in abeyance. The increased MOE cannot be waived by the Secretary.

Current state law provides that counties are responsible for up to 50 percent of the federal penalty, although state law also provides that counties may be provided relief if the department determines that there were circumstances beyond the county's control. The trailer bill to the 2006 Budget Act also clarifies that counties are required to backfill the payment of their share of the federal penalty with county general funds.

Issue 2: CalWORKs Caseload Characteristics

CalWORKs Caseload Description

Enrollment Trends: After peaking in March of 1995, CalWORKs enrollment has dropped by 50.4 percent through 2006. The caseload decline is due to a combination of demographic trends (such as decreasing birth rates for young women), California's economic expansion, and welfare reform changes since 1996. After years of declines, enrollment flattened in 2003-04 and has remained relatively stable since then. As of November 2006, caseload was projected to decrease by 1.5 percent in 2006-07 and increase by 0.1 percent in 2007-08. Average monthly enrollment was estimated to be 468,000 cases in 2007-08.

Caseloads are dynamic, with substantial movement in and out of the program. Each month, 18,000 to 19,000 families enter the program and roughly the same number of families leave each month. Over the past ten years, the proportion of families enrolled in the Welfare-to-Work portion of the program has declined, primarily due to the large number of cases that have left the program.

The main reasons families leave CalWORKs are:

1. Increase in employment or family income. Note that families who leave CalWORKs due to excess income often do not submit their final participation report to the counties and therefore are sometimes counted as exiting due to non-compliance (category 3 below).

2. Change in household composition: No longer an eligible child in the home; got married; or parent, spouse, or partner returned home.

3. Frustration with program rules or paperwork; not complying with program requirements; no longer wanted or needed welfare; or welfare benefit not enough to continue receipt of benefits.

The significant number of families that have left CalWORKs due to earnings has been partially offset by an increase in the number of cases without an aided adult.

Time on aid: Measuring the time that families spend in the CalWORKs program is not necessarily a straightforward exercise. Looking at participant data at a point in time will overstate the number of families who have received aid for a longer period of time. This is because those who received aid for shorter periods of time and have exited the program will not be captured in the point-in-time data.

The ideal way to calculate the total time CalWORKs families spend on aid would be to follow a large cohort over the entire span of their child-raising years and calculate the average time spent on aid at the end of this period. Since CalWORKs has existed for only eleven years, the next best way of computing cumulative time on aid is to study a cohort of those who leave aid in a given year and do not return during a subsequent period. Then the observer can look back in time as far as possible and count total time on aid.

This is the approach used to formulate the following table. This table reports the total time on aid over the period of January 1995 through December 2005 for 154,228 CalWORKs recipients who exited CalWORKs in 2005 and had not returned to aid by December 2006.

Cumulative Time on Aid Over an Eight-Year Period, 1998 Through 2005,

For 154,228 Adults Exiting CalWORKs in 2005 and Not Returning in 2006

1. Months/Years of Aid Received At CalWORKs Exit	2. Number Exiting CalWORKs	3. Percent of 154,228 Adults Exiting CalWORKs in 2005	4. Total Months/Years on Aid	5. Cumulative Percent Off Aid After 6 Months, …8 years
Six months or less on aid	29,172	18.9%	6 mos. or less	18.9%
Six months to 1 year on aid	23,474	15.2%	1 yr. or less	34.1%
One year to 18 months on aid	16,665	10.8%	18 mos. or less	44.9%
18 months to 2 years on aid	13,517	8.8%	2 yrs. or less	53.7%
More than 2, less than 3 yrs.	19,854	12.9%	3 yrs. or less	66.6%
More than 3, less than 4 yrs.	14,633	9.5%	4 yrs. or less	76.1%
More than 4, less than 5 yrs.	16,031	10.4%	5 yrs. or less	86.5%
More than 5, less than 6 yrs.	11,391	7.4%	6 yrs. or less	93.8%
More than 6, less than 7 yrs.	5,482	3.6%	7 yrs. or less	97.4%
More than 7, less than 8 yrs.	4,009	2.6%	8 yrs. or less	100.0%
Total Exiting CalWORKs in '05	154,228	100.0%		

Examining the data in this way shows that almost one-fifth (18.9 percent) of all aid recipients exiting CalWORKs in 2005 had six months or less of total time on aid in the eight year period ending December 2005. More than half (53.7 percent) received two years or less of aid during that time. For those exiting CalWORKs in 2005 and not returning in 2006, the median cumulative time on aid during the preceding eight years was 22 months. This means that half of those exiting CalWORKs in 2005 had fewer than 22 total months of aid.

CalWORKs Clients with Multiple Barriers: The proportion of families needing mental health, substance abuse, and/or domestic violence services has also increased. The percent of Welfare-to-Work clients receiving these services increased from 1.2 percent in October 1999 to 8.6 percent in October 2006. Research in Kern and Stanislaus counties found that more than half of the CalWORKs clients surveyed reported they had experienced domestic abuse, were found to have one or more mental health issues, and/or had abused alcohol or other drugs. About 80 percent reported experiencing domestic violence at some time in their lives, with one-quarter of the respondents identifying domestic violence as the current barrier to employment. In addition to these significant concerns, nearly 44 percent of those interviewed had not achieved a high school diploma and about half had no driver's license.

CalWORKs Families are Diverse: As listed below in the Glossary of Major CalWORKs Case Definitions, CalWORKs families include a broad range of family circumstances and composition. For example:

- pregnant and parenting teens
- older parents and grandparents caring for children
- single- and two-parent families
- parents working, going to school, or in training programs full-time
- parents participating in some combination of part-time work, school, and/or job training
- refugee families (many initially lack English language and other basic job skills)
- families with substance abuse, mental health, domestic violence, and/or learning disability issues
- parents without high school diplomas (40 percent of adults in CalWORKs lack a diploma)
- families where children or adults are ill or disabled
- parents with extensive work experience or job skills
- parents with no work experience or job skills
- families who have received aid for many years and have exceeded the five-year time limit
- families who have never received aid before and stay in the program for a short time

CalWORKs Families are Dynamic: CalWORKs families' circumstances and case status may change frequently. Major change factors include:

- beginning/termination of employment or education/training programs
- changes in hours or wages of employment or education/training
- birth of a child, teen pregnancy, or removal of a child from the case at age 18
- departure or return of a parent to the household
- family relocation, such as for seasonal employment, homelessness, etc.
- improvements/declines in behavioral or physical health of a child or parent

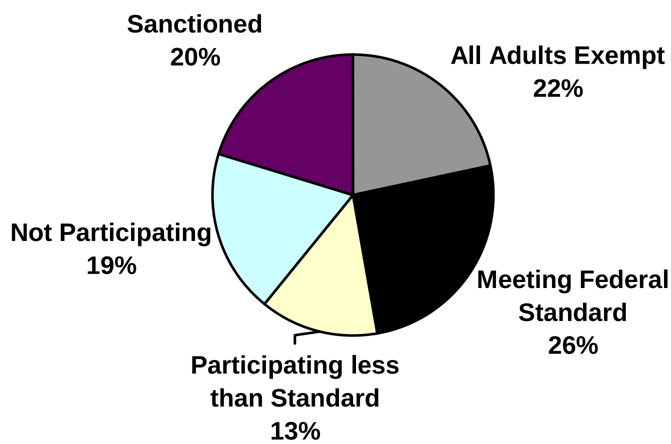
Often when families apply for aid they are in crisis. Some need an exemption or good cause deferral to resolve the crisis. As they stabilize they may participate in time-limited activities, such as job search or training and then work full- or part-time, perhaps in conjunction with other Welfare-to-Work services. Alternatively, in some cases, parents begin working right away or were already working when they applied for aid.

CalWORKs Participation Trends and Patterns: The California Welfare Directors Association (CWDA) recently conducted research among various county CalWORKs programs. The key findings on participation trends and patterns is described below.

Many CalWORKs clients are participating part-time and/or mixing state and federal activities. Participants today have greater access to employment services than in 1995. Working participants earn more today than in 1994, even after accounting for inflation. One-fifth of the adult caseload is exempt from participating in Welfare-to-Work activities under state law. Finally, the "not participating" group is diverse; just because a client is not participating at a point in time does not mean they are disengaged from the program. As with time on aid, viewing participation over time paints a more complete picture than point-in-time data.

The chart below shows the participation levels in the 15 counties surveyed by CWDA, as of November 2005.[1] It shows that 26 percent of the adults required to participate (unless given an exemption or other good-cause reason for not participating) were doing so for enough hours to meet the federal requirements. Another 13 percent were participating for less than the federal standards.

4.3 CalWORKS Participation By Category, November 2005



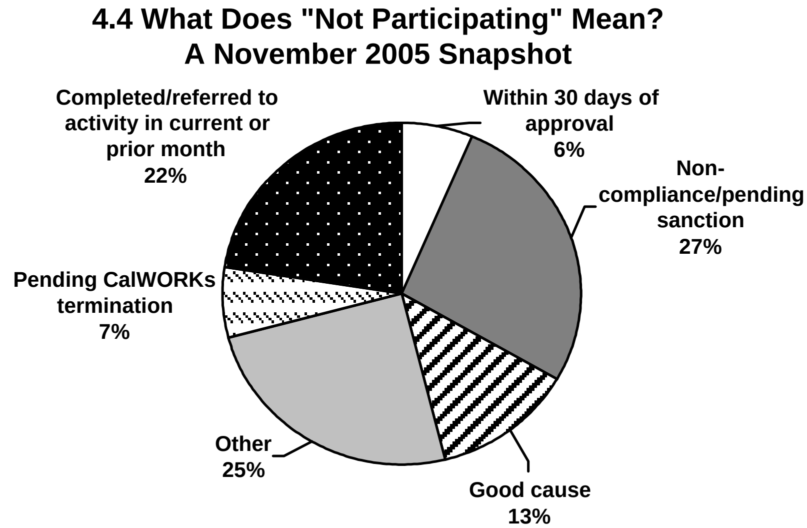
Source: California Welfare Directors Association and California State Association of Counties, *CalWORKs at a Crossroads*, April 2002

The "not participating" group is diverse; just because someone is not participating at a given point in time does not mean they are disengaged from the program. The CWDA collected more detailed information about the cases that were labeled as "not participating" during the month of November 2005. Digging deeper into the reasons for non-participation shows that more than a quarter of recipients are either new to the

[1] Participating counties included: Fresno, Humboldt, Kern, Los Angeles, Mendocino, Monterey, Riverside, San Bernardino, San Diego, San Francisco, Santa Barbara, Santa Cruz, Stanislaus, Sutter, and Yuba.

program (6 percent), are about to leave the program (7 percent), or have been given good cause for not participating (13 percent).

The following chart demonstrates this diversity, suggesting that any efforts to engage the "not participating" group will need to recognize the subgroups within this category.



Source: California Welfare Directors Association and California State Association of Counties, *CalWORKs at a Crossroads*, April 2002

The group includes individuals who are new to the program, those who have good cause for not participating, those who completed or were referred to an activity during the current or prior month – but who have not yet begun a new activity – as well as those who will be leaving the CalWORKs program within a short period of time.[2] It also includes non-compliant participants and those whose sanctions have not yet been activated, but are pending.

Most counties were not able to break their caseloads into finer detail than the categories listed in the previous chart, which explains the relatively large "other" category (25 percent). Counties that were able to further define their caseloads reduced the "other" category to less than 14 percent of cases not participating. The data from these counties, including Los Angeles County, indicates that a significant percentage of the cases in the "other" category are likely between assigned activities and, therefore, would not count as participating for purposes of the state's federal work participation rate.

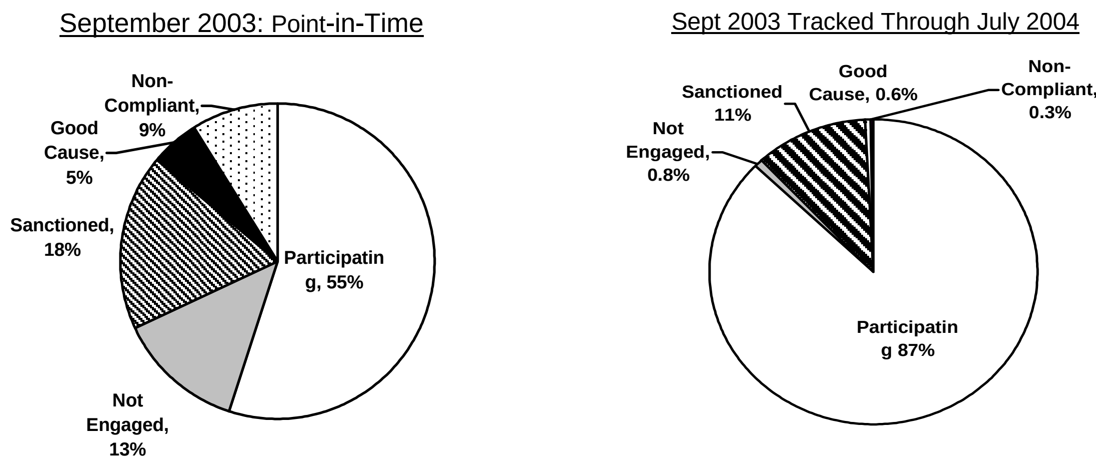
Note also that the "good cause" category essentially represents another group of exempt clients, who would not be considered participating for purposes of the federal rate but are not disengaged from the program, as might otherwise be assumed without

[2] This latter group is shown as "Pending CalWORKs Deregistration" in Chart 4.4.

delving deeper into the data. The diversity among the "not participating" group and the potentially substantial number of cases who are between activities at any given point in time suggests that strategies to engage clients in useful, temporary activities when they are between their formal assignments could be worthwhile.

Data from Riverside County illustrates the importance of viewing participation over time rather than at a specific point in time. The pie charts below paint two very different pictures of program participation. The chart on the left shows point-in-time caseload data; while the chart on the right shows cases tracked over time. As the chart on the right shows, the overwhelming majority of Riverside County's Welfare-to-Work participants during the study time period was engaged, received an exemption from participation, or left the program. Over the 10-month period, only 13 percent of the Welfare-to-Work clients did not participate in the program in any way.

2.3 Riverside County Caseload – Point-in-Time vs. Tracked Over Time



Source: California Welfare Directors Association and California State Association of Counties, *CalWORKs at a Crossroads*, April 2006

A substantial proportion of recipients are participating part-time. Although the state's 2004 federal work participation data for all families shows that only 25 percent of cases were meeting federal work participation requirements, another 21.3 percent were participating in one or more federally recognized activities, but for insufficient hours to count toward the participation rate. The extent to which CalWORKs recipients are participating part-time in federally recognized activities indicates that partial participation is substantial. If these participants could increase their activity level, they could contribute significantly to the state's overall federal participation rate. As an example, DSS data for FFY 2004 show more than 8,800 participants statewide who were single custodial parents with a child under six years of age and were participating for one to 19 hours per week (about four percent of all recipients who are currently counted in the state's federal work participation rate calculation). Many of these participants could meet the federal 20-hour requirement for single parents with a child under six with a relatively small increase in their activity hours.

Glossary of Major CalWORKs Case Definitions

Single-Parent and Two-Parent Cases: Grant includes children and parents.

- **Non-exempt:** Single- or two-parent family required to participate under state and federal rules. Eligible for Welfare-to-Work (WTW), Behavioral Health (mental health, domestic violence, and alcohol and drug treatment), Child Care, and other support services.

    - **Timed-Out:** Non-Exempt families with their federal 60-month clock expired, but state CalWORKs clock may not be expired. Federal clock started December 1, 1996.

    - **Good Cause:** Non-Exempt families where the county has granted a temporary exemption from participation. Most common examples include illness, disability, lack of transportation, child care problems, emotional problems, domestic abuse, attendance at employment/school/training, and legal problems.

- **Federal Exempt:** Single parent with a child under age one. Exempt from participation under federal rules. Eligible for WTW and other services only if the parent volunteers to participate.

- **CalWORKs Exempt:** Families not exempt from participation under federal law, but exempt under state law. Includes parents under age 16 or 60 and older, 16- and 17-year-old parents in high school, parents physically or mentally unable to participate for at least 30 days, and parents caring for a disabled family member. Eligible for WTW and other services only if the parent volunteers to participate. Note that a substantial number of Exempt clients leave aid prior to the expiration of their exemption period, perhaps because they have resolved the crisis that led them to apply for aid.

- **On Aid Less than 60 Days:** WTW orientation is provided within 60 days of a client being determined eligible for aid. Federal participation rates are low among initial applicants, as they often have not yet had their WTW orientation. Clients are eligible for services once they are determined eligible.

Sanctioned Cases: Families where the parent(s) has not complied with various reporting or activity requirements, and the county has reduced the grant to exclude the parent(s) from the case. Clients are generally eligible for WTW and other services if they cure their sanction or comply with their WTW plan.

Safety-Net Cases: Families with federal and state 60-month clock expired. State clock started January 1, 1998. Grants are reduced to reflect removal of parent(s) from assistance calculation. Eligible for two years of child care if participating in their WTW plan.

Child-Only Cases: Grant amount calculation includes only children, not adults.

- **SSI Parent:** Disabled parent(s) eligible for SSI.
- **Non-Citizen Parent:** Generally, citizen children with ineligible non-citizen parents. 92 percent of adults have been in the US five years or longer.
- **Non-Needy Caretaker Relative:** Persons requesting child-only grants for related children in their care (72 percent grand/great-grandparents).

Sanction Caseload Description

CalWORKs Sanction Policy: If a client has been notified that he/she has not met program requirements, he or she is given opportunities to come back into compliance before the county imposes a sanction. Once a sanction is incurred, the grant continues at the reduced level until the client comes into compliance. If a client is sanctioned more than once, the reduced benefit must be paid directly to any applicable vendors for rent and utilities.

Characteristics Data. In 2006, the West Coast Poverty Center conducted a comprehensive review of sanctions studies nationwide and found that there is a body of research that describes the characteristics of sanctioned families and what happens to them over time.

Many studies have found that, compared to those not sanctioned, recipients who are sanctioned have characteristics that have been associated in past research with poor employment outcomes and with a higher likelihood of welfare receipt. Research also consistently finds that sanctioned families face more barriers to employment than non-sanctioned families, such as their own health and mental health problems, disabilities, responsibility for a family member with health conditions or disabilities, domestic violence, and substance abuse. Many studies have also found that the risk of sanctions is higher for TANF families who have lower levels of education, no work history or limited recent work experience, and more children or younger children. Time on welfare has also been found to increase the risk of a sanction in several studies.

There is evidence that sanctioned families face more material hardship than recipients who are not sanctioned. Studies comparing rates of self-reported hardship between sanctioned and non-sanctioned families suggest that sanctioned families more frequently experience trouble paying housing costs, have their phone services cut off, and seek help from a church or charity more often. There is also evidence of worse outcomes for children in sanctioned families including suffering higher levels of material hardship and greater risk of hospitalization. Other studies suggest that children in sanctioned families do worse in several developmental areas than children whose families were never sanctioned.

Nationally, studies find that clients are more likely to be sanctioned early in their spell of benefit receipt; in several states, over half of the sanctions were imposed within the first three months of TANF receipt. Once sanctioned, the majority of those who will comply come into compliance quickly. However, studies find that a substantial share of all recipients who are sanctioned once are sanctioned multiple times.

Data From California Counties: Sanctioned clients and those facing sanctions represent a significant portion of the caseload in California and they share some common characteristics. The 15 counties surveyed by the CWDA reported 31,937 sanctioned cases in November 2005. This represents 10 percent of the total caseload in these counties and 20 percent of cases with an adult who is either expected to participate in Welfare-to-Work activities or exempt from participation.

In response to concerns about sanctioned participants, Los Angeles County conducted a longitudinal analysis of recipients who entered the program between June and November 2002, following these recipients for 18 months. The county found that most of the sanctioned participants were sanctioned before they participated in any Welfare-to-Work activity at all. Almost two-thirds of those who were sanctioned had failed to attend their scheduled Orientation session. The participants who did attend Orientation were much less likely to be sanctioned than those who did not attend Orientation.

Los Angeles County also found that the majority of sanctioned cases either returned to compliance or left CalWORKs within the first three months of being sanctioned. San Bernardino County and Los Angeles County also found that employed recipients were more likely to be participating satisfactorily and the Los Angeles researchers noted that sanctioned participants who were unemployed at the time that they entered the Welfare-to-Work program were at a 16 percent higher risk of not returning to compliance than those who were employed when they entered the program.

Studies of the characteristics of sanctioned cases also found some commonalities. Generally, both Riverside and Los Angeles counties found that sanctioned CalWORKs recipients were more likely to be single or never married, to be English-speaking, and to be non-white. Riverside noted that the more children a parent had, the more likely the parent would become sanctioned. The Los Angeles study indicated that child age plays a role in whether participants return to compliance, finding that sanctioned parents with a child under one year of age were less likely to return to compliance than those with older children.

Finally, the Los Angeles County study indicated that participants who were receiving supportive services such as child care and transportation were less likely to be sanctioned and those who did not receive such services were more likely to be sanctioned. This illustrates the importance of continuing to provide these supportive services and of identifying the needs of recipients as early as possible in order to ensure they are able to participate in activities such as orientation and job search.

Safety Net Caseload Description

Significantly less is known about the families on the safety net program than is known about those in sanction status. This is problematic since the safety net caseload has been a growing fraction of the CalWORKs caseload. In the first month of the safety net program, safety net cases were 1.7 percent of all CalWORKs cases. By March 2006, they were 13.9 percent. The estimated safety net caseload for 2007-08 is approximately 50,000. California will need to better understand who these families are and the barriers they face to becoming self-sufficient if policymakers are going to formulate policies to increase these families' work participation while ensuring that their children are not harmed.

Much of what is known about the safety net caseload has been inferred from research being done on CalWORKs "leavers," those families in which the adults have reached the 60-month time limit for receipt of cash aid. The Welfare Policy Research Project released its second report from their evaluation of California's five-year time limit in November 2006, which describes CalWORKs families as they approach the 60-month time limit. The researchers interviewed 1,797 CalWORKs recipients in six counties, Alameda, Los Angeles, Orange, Riverside, Sacramento, and Tulare, using a survey that explored demographic characteristics, family employment and employment history, barriers to employment, material hardship, and knowledge of the time-limit policy and the amount of time on aid still available to them.

Some of the key findings of this report are as follows:

- The CalWORKs population nearing the 60-month time limit is ethnically and linguistically diverse. This poses challenges to county welfare offices in serving this population, as well as influences recipients' attitudes toward work, family size and relationships, and their grasp of time-limit policies and their response to them.

- Recipients close to reaching the time limit focus on employment, but their earnings are low and their job-related benefits are limited. The survey found that almost half (47 percent) of recipients were employed. Furthermore, 24 percent reported working 30 hours per week or more. The fact that these individuals were still eligible for cash aid while employed indicates that they had low earnings, close to or below the poverty level.

- Barriers to employment, such as a limiting illness or disability, mental illness, domestic violence, or substance abuse, are pervasive among those approaching the time limit, with 51 percent reporting at least one barrier that interfered with their ability to complete tasks at work, school, or home. Of the total survey respondents, 28 percent reported two or more barriers. Few recipients realized that they might qualify for exemptions or extensions as a result of these barriers, however.

- In addition, 40 percent had not completed high school and another 36 percent had no education past high school. Among foreign-language speakers, 25 percent had not completed even eight years of schooling in their native countries.

- More than half of the CalWORKs families (56 percent) had very young children (less than six years of age) and 46 percent had three or more children.

- CalWORKs families reaching the time limit reported substantial material hardship. Overall, 43 percent reported problems paying rent. Over half, 54 percent, reported problems paying their utility bills and 39 percent reported problems affording food.

Los Angeles County studied a cohort of the first CalWORKs recipients to reach the 60-month time limit in Los Angeles in 2003. They collected data for a six-month period to determine how the time limits affected employment, family structure, housing stability, supportive services, and income. They then collected the same data for a cohort who had not timed out. The key findings from this research were:

- The mean age of CalWORKs participants in the timed-out cohort was 41 years. Approximately 54 percent were currently married. An average of three children lived in timed-out households. Participants whose primary language was English comprised slightly more than 30 percent of the timed-out cohort; Vietnamese, Spanish, and Armenian were the other three primary languages.

- Participants in the timed-out cohort had higher employment rates and a longer average length of employment than the comparison group, but they also tended to work in lower-paying jobs. Although participants in the timed-out cohort were 2.6 times more likely to be employed, the likelihood of earning more than the minimum wage was 59 percent higher among the comparison group.

- Poverty increased in timed-out households. The annualized median income of the timed-out cohort declined by four percent. During the first six months of 2003, the poverty rate among the timed-out cohort increased by eight percent. In families with three people or less, 21 percent fell below the Federal Poverty Threshold after reaching time limits versus 12 percent of the comparison group.

- With the loss of cash aid, Section 8 housing support saved many timed out families from eviction. However, the likelihood of utilization of shelters was higher among timed-out participants relative to the comparison group.

- A high demand for supportive services was reported. Participants in the timed-out cohort were 2.5 times more likely to need substance abuse and domestic violence services.

- Individuals in both groups experienced an average of between one and two barriers to employment. The timed-out cohort experienced significantly higher rates of domestic violence, child care problems, and language barriers.

In general, these studies suggest that safety net families are larger and have younger children; are employed, but do not earn enough to get off aid; are linguistically diverse; face significant barriers to employment including lower educational levels; and suffer significant material hardships.

Issue 3: Recent CalWORKs Program Changes

2006 Budget Act

As part of the 2006 Budget Act, the Legislature and the Administration adopted a comprehensive package to address TANF reauthorization. The major components included:

- **Restoration of County Funding:** The budget included $140 million for county welfare departments' single allocation to bring their funding level up to the actual spending level for 2004-05. This funding is proposed to be continued in 2007-08.

- **Additional Funding for Counties to Increase Work Participation:** The budget included $90 million for county welfare departments to increase the work participation rate. This funding can be used flexibly by counties for such efforts as new or improved engagement strategies, employment and training collaborative programs, and efforts to prevent and cure sanctions. This funding is available for expenditure through 2007-08.

- **Updates of County Plans:** The 2006 Budget Trailer Bill (AB 1808, Chapter 75, Statutes of 2006) requires each county to perform a comprehensive review of its existing CalWORKs county plan and submit a plan addendum detailing how the county will meet the goals of the CalWORKs program, while taking into consideration federal work participation requirements. The plans shall include immediate and long-range actions that the county will take to improve work participation rates among CalWORKs applicants and participants and a description of expected outcomes and how the county will measure those outcomes. These plans were reviewed by the county Board of Supervisors and were due to the Department of Social Services (DSS) by January 1, 2007. To date, 57 counties have submitted their plan addenda and the DSS indicates that they have certified about one-third of these. A summary of the activities proposed by counties in their plan addenda is provided below.

- **County Peer Review Process:** AB 1808 requires DSS to work with counties to develop a CalWORKs county peer review process first in pilot counties and then statewide by July 1, 2007. The peer review process is to include individual CalWORKs data reviews of counties based on existing data. Counties shall receive programmatic technical assistance from teams made up of state and peer-county administrators to assist with implementing best practices to improve their performance and make progress toward meeting established state performance goals. A summary of the status of DSS' activities is provided below.

- **Master Plan for CalWORKs Data:** AB 1808 requires that DSS publish basic caseload and performance data quarterly, and prepare and present a long-term master plan for data to the Legislature by April 1, 2007. The master plan is to minimally include an assessment of the state's data needs in light of the CalWORKs program goals of increasing work participation, reducing poverty, and improving child well-being; an outline for a new participation report; guidelines, requirements, timeframes, and cost estimates for county automation improvements to collect participation data consistent with the master plan; and a plan for longitudinal data reports.

- **Elimination of Durational Sanctions:** Pursuant to AB 1808, CalWORKs families are now only sanctioned for the month they are non-compliant with CalWORKs requirements, regardless of the number of instances of non-compliance they have had in the past. Under prior law, clients were sanctioned for three months for the second instance of non-compliance and six months for the third instance.

- **Temporary Assistance Program (TAP):** AB 1808 established TAP as a non-MOE state-funded program that would provide CalWORKs-level grants and supportive services to CalWORKs clients who are exempt under state law from work participation requirements. The intent of TAP is to move these clients out of the federal work participation rate calculation in a seamless manner. AB 1808 established April 1, 2007 as the implementation date for TAP, but allowed DSS to request an extension of the implementation date with a letter to the Joint Legislative Budget Committee, which DSS has done. This program is discussed in greater detail below.

- **County Penalty Pass-On:** Under current law, counties are required to take 50 percent of any federal penalty that results from the state's failure to meet federal work participation rates. The pass-on of this penalty would be made by reducing the CalWORKs single allocation to the counties. AB 1808 strengthened these provisions by requiring counties to backfill the reduced allocation with county general funds.

- **Homeless Assistance:** The budget provided $5 million for CalWORKs homelessness prevention and support to prevent housing instability as a barrier to employment.

- **CalWORKs in Community College:** The budget included $9 million in Proposition 98 General Fund to fund work study positions for CalWORKs clients attending community colleges.

- **Employment Training Panel Augmentation:** The budget shifted $13 million in Employment Training Funds from CalWORKs back to the Employment Training Panel (ETP). Beginning July 1, 2006, the ETP began a work pilot program to train

CalWORKs recipients. The ETP has dedicated $2.6 million to the pilot to train 585 individuals. Although the pilot project is in its early stages, ETP's early assessment shows that training is progressing and Welfare-to-Work contractors are generally optimistic regarding the outcomes. The ETP will be sharing data with DSS as the pilot progresses.

Summary of Department of Social Services (DSS) Activities in Implementing Recent CalWORKs Changes

In April 2006, DSS began a series of stakeholder meetings to discuss how to address the changes resulting from TANF reauthorization. Participation included representatives from the California Welfare Directors Association, advocates, the Department of Finance, the California Health and Human Services Agency, Legislative staff, the Legislative Analyst's Office, and DSS staff. These meetings evolved into four workgroups: Workgroup 1: Funding Options; Workgroup 2: Best Practices and Program Reforms; Workgroup 3: Sanctions and Noncompliance; and Workgroup 4: Data Collection and Work Verification. The workgroups have provided an effective forum for advocacy and county stakeholders to provide necessary input on the implementation of TANF reauthorization, for sharing information and ideas, and for all interested parties to work together to move forward on complex policy issues. The workgroup and stakeholder meetings have occurred and continue to occur regularly.

While the workgroup and stakeholder meeting process has progressed well, implementation of the TANF reauthorization provisions of AB 1808 has been mixed so far. The DSS made available a draft of the master plan for selected public comment and is on target to release the final plan by April 1. DSS is also on target to release its first quarterly report of basic caseload and performance data by April 1. The DSS, in conjunction with counties and other stakeholders, have worked diligently to identify existing data sources, outline a new report for gathering performance data, and develop a plan for gathering longitudinal data. Discussions on all of these topics will be ongoing and will include consideration of the collection of additional data to inform achievement of the CalWORKs program goals of increased work, reduced poverty, and improved child well-being.

The DSS' progress in implementing the county peer review process and reviewing the county plan addenda has been slow, however. AB 1808 requires DSS to pilot the county peer review process in a few counties before implementing statewide by July 1, 2007. DSS has not yet commenced the pilot and has a budget change proposal (BCP) requesting positions to pilot the program and implement it statewide. (See Issue 9 for a discussion of the BCP.) In addition, although AB 1808 requires DSS to certify a county's plan addendum within 30 days of receipt of the addendum, to date, DSS has certified about one-third of the plans submitted. While to date, 57 counties have submitted their plan addenda, not all submitted them by the January 1, 2007 due date further contributing to the delay. Although counties do not have to wait for certification to implement provisions of the addendum that are consistent with AB 1808, the state does not know whether those addenda and the proposed activities are complete and fully comply with the statute until they are certified.

Summary of County Plans

Senate staff conducted a preliminary review of the county plan addenda for 12 counties that collectively serve 61 percent of CalWORKs aided adults and represent counties with large, moderate, and small caseloads. These 12 counties are Alameda, Colusa, Contra Costa, Imperial, Los Angeles, Orange, Riverside, Sacramento, San Joaquin, San Francisco, Santa Clara and Tulare. These counties are employing various strategies in the following areas:

- **Up-Front Engagement Strategies:** Generally, these counties are placing considerable emphasis on up-front engagement strategies. Most counties are planning to combine orientation with appraisal, request that applicants voluntarily attend an orientation prior to receiving approval for aid, offering incentives for recipients to complete orientation, such as gift cards, and setting up reminder phone call systems to alert participants to the date and time of their orientation or appraisal sessions. A few counties are streamlining referrals to support services by bringing representatives of mental health and substance abuse services into the orientation or appraisal sessions or by co-locating the services, providing transportation up front, or offering orientation more frequently.

- **Welfare to Work Training or Working Options:** Most counties are planning to expand their efforts to increase the number and type of work or training activities available to clients. Some common strategies these counties will employ include: enhance collaboration with the local Workforce Investment Board and one-stop employment centers; enhance collaboration with local community colleges, adult basic education, and English as a Second Language training providers; increase the use of job developers to locate additional paid employment positions for clients; attempt to increase the number of places where a client can be placed for unpaid work experience; reward clients who regularly attend or complete a training program or who retain employment for a period of time; and create bridging or filler activities for employed clients who are not working enough hours.

- **Linkages to Other Government Programs:** Almost all counties plan to increase the number of clients who are transferred to the Supplemental Security Income/State Supplementary Program due to a client's disabilities. Many counties intend to assist clients who obtain employment to receive the earned income tax credit.

- **Sanction Prevention and Re-engaging Noncompliant or Sanctioned Clients:** Sanction prevention and re-engagement appear to be the areas where the most staffing changes are expected. A number of counties are planning some reorganization of staff, staff retraining, or hiring more staff in order to connect trained personnel with those clients with multiple barriers to employment. To prevent sanctions, most counties plan to increase the tracking of clients' participation to staff can more quickly respond when participation in a work activity stops or diminishes. For clients who are noncompliant or sanctioned, a large number of these counties plan to conduct home visits either by one case worker or a team.

- **Measuring Progress Toward Improving Work Participation Rates (WPRs):** Most counties plan to monitor their WPRs more closely and frequently than in the past.

Temporary Assistance Program (TAP)

AB 1808 established TAP as a non-MOE state-funded program that would provide CalWORKs-level grants and supportive services to CalWORKs clients who are exempt under state law from work participation requirements. Current law now requires that the clients in most of California's exemption categories be included in the calculation of the federal work participation rate. However, states can choose to fund TANF programs and services for clients with non-MOE or TANF funds without those clients counting in the calculation of the federal WPR. The intent of TAP is to move California's exempt clients out of the federal work participation rate calculation while still ensuring that these families receive benefits and have access to services to assist them in obtaining work in the future. Although the implementation of TAP alone will not result in California meeting its federal WPR, it is a critical step toward improving the state's caseload reduction credit and WPR, and avoiding federal penalties. Implementation of TAP is expected to increase our CRC by five percent.

AB 1808 established April 1, 2007 as the implementation date for TAP, but allowed DSS to request an extension of the implementation date with a letter to the Joint Legislative Budget Committee (JLBC). On January 19, 2007, DSS notified the JLBC that TAP implementation will be indefinitely delayed due to federal child support distribution rules and their effect on CalWORKs benefits. These federal rules require that child support collected for families who are not TANF recipients be paid directly to the parents. Because TAP would be solely funded with General Fund outside of the TANF/MOE, this requirement would apply to TAP recipients and could adversely affect the amount of benefits those recipients receive. In addition, preliminary information from the federal government indicates that states are prohibited from using the federally-funded child support collections system to collect and recoup such child support payments. If that is the case, a separate state child support collection system and/or separate cost allocation system to account for TAP-related child support payments would need to be developed. The Department of Child Support Services indicates that the development of such a system could take over three years and be costly to the General Fund. However, DCSS has not obtained definitive information and clarification from the federal government on these issues.

Issue 4: Proposed 2007-08 CalWORKs Budget

2007-08 Governor's Budget

Impose Full-Family Sanctions: The Administration proposes to impose a "full-family" sanction whereby a family's entire grant is eliminated for those families with an adult who does not comply with CalWORKs requirements for more than 90 days. This proposal would result in a General Fund cost of $11.4 million because it assumes 70 percent of sanctioned cases would begin working (or participate in an allowable non-work activity) and need child care, as a result of the change. There is trailer bill language proposed to implement this proposal (see attachment). A further discussion of this proposal is below.

Under current law, when an adult fails to meet CalWORKs requirements, the family's grant is reduced by the amount attributable to the adult, but cash aid continues to the children in the family. This "partial-family" sanction is intended to provide a subsistence allowance to preserve the well-being of the children even if their parents have been sanctioned.

As part of this proposal, there is also trailer bill language proposed to count the time the adult is sanctioned toward the 60-month lifetime CalWORKs limit (see attachment). Under current law, the time while the adult is sanctioned does not count toward the 60-month limit because he or she is not receiving cash aid for himself or herself during the time under sanction.

Restrict Safety Net Grants: The Administration proposes to eliminate safety net grants for those children whose parents do not work sufficient hours to meet federal work participation requirements after "timing-out." This proposal would be implemented in November 2007 and would result in General Fund savings of $175.8 million. There is trailer bill language proposed to implement this proposal (see attachment).

CalWORKs adult recipients are limited to 60 cumulative months of cash assistance. Under current law, children continue to receive cash aid until they are 18 years of age, as long as the family meets CalWORKs eligibility guidelines, regardless of how many hours their parents work after timing-out. This proposal assumes that only 26 percent of the safety net caseload will meet the work participation requirements and remain eligible for safety net grants. A further discussion of this proposal is below.

Eliminate Grants for Children of CalWORKs Ineligible Parents: The Administration proposes to eliminate, after 60 months, grants to children whose parents are not eligible for CalWORKs to be consistent with the proposal to restrict safety-net grants. These parents are ineligible because they are undocumented non-citizens or drug felons. The children include US citizen children of undocumented non-citizens. Under current law, the CalWORKs grants provided to children of ineligible parents are not subject to a time limit. This proposal would be implemented in November 2007 and result in General Fund savings of $160 million. There would be no impact to the state's work participation rate because these adults are already excluded from the work participation calculations. There is trailer bill language proposed to implement this proposal (see attachment).

Suspend CalWORKs Cost-of-Living Adjustment (COLA): The Administration proposes to freeze the amount of CalWORKs grants at their current levels resulting in General Fund savings of $124.4 million. The current maximum grant for a family of three is $723 per month. The 3.7 percent COLA that otherwise would have gone into effect on July 1, 2007, would have increased the grant for a family of three by $27 to $750 per month. There is trailer bill language proposed to implement this proposal (see attachment). A further discussion of this proposal is below.

Change Recipient Reporting Frequency. The Administration proposes trailer bill language to modify the process for redetermining benefit levels for CalWORKs and Food Stamp recipients and to change the reporting frequency for recipients from quarterly to semi-annually. These changes would take effect in 2008-09. A further discussion of this proposal is below.

Excess Maintenance-of-Effort (MOE) Expenditures. The Administration proposes to spend above the federally required MOE level to achieve a caseload reduction credit to reduce California's federal work participation rate requirement. The proposed amount of excess MOE is $470.7 million in 2006-07 and $203.0 million in 2007-08. The DRA expands the definition of MOE spending such that California is able to count some existing spending on higher education tuition assistance (CalGrants and community college fee waivers) and after school programs toward the MOE requirement.

Current federal regulations allow states that spend above their required MOE level to subtract out cases funded with excess MOE for the purpose of calculating the CRC. The federal government has not yet approved California's methodology for determining the amount of excess MOE cases.

Redirect TANF to CWS. The Administration proposes to replace General Fund monies for Child Welfare Services emergency assistance activities with $56 million in TANF federal funds, resulting in General Fund savings of $56 million. Although this shift of TANF funds is permissible under federal law, it diverts available funding away from providing services to CalWORKs clients and is contrary to action taken by the Legislature in the current year budget that shifted TANF funding back from CWS to the CalWORKs program.

Fund Pay for Performance. The budget proposes $40 million from the 2006-07 TANF reserve to pay counties that meet performance goals for work participation and client income measures in 2007-08. The 2006-07 Budget Act delayed implementation of the Pay for Performance program.

Reduce CalWORKs Single Allocation. The budget reduces $16 million in funding to counties for CalWORKs employment and other services, eligibility determination, and child care in 2007-08. The 2006-07 Budget Act also reduced the single allocation by $40 million.

Issue 5: Sanction and Safety Net Research

Families on Sanction Status

Assumptions in the Governor's Budget. The Administration states that its goal for the sanction proposal is to improve compliance with CalWORKs program requirements through work activities to increase the state's work participation rate. To this end, the budget assumes that 70 percent of cases in sanction status, facing a full-family sanction, will "cure" their sanction through unsubsidized employment or a combination of other eligible participation activities. This is estimated to increase California's work participation rate by nine percent.

According to sample data from 2005, there are about 36,400 cases that have been in sanction status for three months or more. These cases have an average of 1.9 children, so potentially about 70,000 children could lose cash aid until their parents meet work participation requirements. The Administration estimates that it will take 12 months for these changes to occur as recipients may appeal their sanctions. As of November 2008, DSS estimates that 25,450 families will have avoided the full-family sanction through compliance and 10,950 families will receive the full-family sanction. The 10,950 families include about 21,000 children.

The Administration's 70 percent cure rate is based on the following research:

- A DSS report to the Legislature in April 2001, *Good Cause Establishment, Compliance and Curing of Sanction*, which shows that there is a 45 percent cure rate under the existing partial sanction policy.

- A Mathematical Policy Research, Inc. report in 2004, *The Use of TANF Work-Oriented Sanctions in Illinois, New Jersey, and South Carolina, Final Report*, which shows that the data from Illinois and New Jersey suggests that the imposition of a gradual full-family sanction promotes compliance with work requirements and that the threat of full-family sanctions may also have an effect. In Illinois, 67 percent of sanctioned cases eventually came into compliance and of those, 80 percent came into compliance before the imposition of a full-family sanction. In New Jersey those figures were 60 percent and 60 percent.

- A draft report by RAND prepared for DSS, *Sanctions in the CalWORKs Program*, which concludes that California has a relatively weak sanction policy. This draft report also indicates that county reports about the success of their home visit programs suggest that "a clear majority" (about 75 percent) of sanctioned clients are willfully noncompliant, and that the limited available evidence suggests that in the absence of the current sanction policies, compliance with CalWORKs requirements would be much lower. It is important to note that this report has not been released yet, although it was due April 1, 2005, so it is impossible to determine the validity of RAND's assessment.

- The experience of Texas with its full-family sanction policy. Prior to implementation of full-family sanctions in Texas in 2003, 30 percent of adults subject to the work requirement failed to meet it. In October 2003, one month after the policy was implemented, non-compliance dropped to five percent. Since then, the average monthly non-compliance rate has been 11 percent.

Research on Sanctions and Work Participation: There is no consensus in the research community on whether stronger sanctions correlate with better employment outcomes for families. This is mostly because there have been no controlled studies that compare the impact of randomly assigned participants to weaker and stronger sanctions. Changes in sanction policy are typically accompanied by other changes, such as time limits and work incentives, making it impossible to distinguish the impact of one policy change from another with an experimental study design. It is also difficult to make comparisons across states of the possible impact of stronger sanction policies because of the variability among states in their sanctions policies and implementation of those policies, as well as differences in TANF programs overall.

In 2006, the West Coast Poverty Center conducted a comprehensive review of sanctions studies nationwide and found that there is some evidence suggesting that sanctions can promote compliance with TANF work requirements. However, that research shows that it is the *level of enforcement* of the sanction policy and *not the rate* of the sanction that appeared to promote compliance. They found that there is no direct evidence about whether sanctions are effective at promoting participation in work activities and that there is no consensus on whether there is sufficient evidence to make a determination about the relative merits of partial and full-family sanctions.

The Texas Experience: In 2003, Texas adopted a full-family sanction policy for infraction of any program requirement. As described above, prior to the implementation of the full-family sanction, 30 percent of adults in Texas subject to the work requirement failed to meet it. In October 2003, one month after the policy was implemented, non-compliance dropped to five percent. Since then, the average monthly non-compliance rate has been 11 percent. Proponents of the full-family sanction policy in Texas point to this data as evidence that the policy has been successful. Although the compliance rate has improved, an analysis by the Center for Public Policy Priorities in Texas indicates that it has been achieved by forcing families off the program. The number of adults served in the Choices program (Texas' version of Welfare-to-Work) has declined 64 percent over the past three years. The full-family sanction has not led to compliance with the rules or increased work participation, but to expulsion from the program.

Estimated Behavioral Response is Overstated: Even if the full-family sanction policy does result in some recipients coming into compliance who otherwise would not have, the 70 percent estimate of cases that will cure their sanction through unsubsidized employment or another federally eligible participation activities is extremely overstated. As the LAO notes in its 2007-08 Budget Analysis, the 45 percent cure rate under the existing partial sanction policy upon which the 70 percent estimate is based was achieved through compliance with various CalWORKs requirements, not just meeting the federal work requirements.

Furthermore, the 36,400 recipients who have been in sanction status for 90 days or more already excludes the 45 percent of clients who cure their sanctions. Therefore, the DSS calculation which led to the 70 percent assumption double-counts the number of cases that cure due to the existing partial sanction policy. The LAO also notes that the 45 percent figure itself is overstated because it is based on aggregate data and not the individual behavior of families returning to compliance.

Families on the Safety Net

Assumptions in the Governor's Budget: The Administration assumes that in 2007-08, 26 percent, or 13,000 cases, will work sufficient hours to maintain eligibility for the safety net. The DSS bases this 26 percent rate on Employment Development Department data indicating that, currently, about 19 percent of safety net cases are meeting the federal participation requirements and, that when faced with complete benefit termination, an additional seven percent who are working part time would increase their hours so as to remain eligible. The budget estimates that the other 37,000 cases, with 94,000 children, would lose aid as of November 2007, rising to 39,600 cases (101,000 children) by June 2008. This proposal is estimated to increase the work participation rate by four percent.

The budget does not assume that any families return to the safety net program once benefits have been terminated, even if the family comes into compliance with the federal work requirements. In practice, these families' incomes will likely be too large for them qualify for CalWORKs, so once these families are off aid, they will never be able to get back into the program.

Research on the Safety Net and Work Participation: There is no existing research demonstrating even a correlation between the elimination of safety net benefits leading to increased work participation. As previously discussed, based on a survey conducted by the Welfare Policy Research Program of CalWORKs leavers, almost half (47 percent) are already employed and 24 percent are meeting federal work requirements. It is not known how far from meeting federal work requirements the other 23 percent are. Learning more about why these people are not working enough to meet the federal work participation requirements and crafting policies to assist them in doing so, might be a more reasonable approach to increasing work participation without harming children.

Impact of Poverty on Children

Economic hardship has been linked to a number of adverse educational, health, and other outcomes for children. Low income children are more likely to be in fair or poor health and lack access to quality health care. Researchers repeatedly document that there is a direct relationship between family income and children's academic achievement. Both math and reading scores are negatively related to poverty at kindergarten entry and most poor children either do not catch up or the gap worsens.

Low income children are disproportionately exposed to circumstances that pose risks to healthy social and emotional development. Low income children are more likely to be exposed to parental depression and other parental problems, such as substance abuse and domestic violence. These risk factors have also been linked to a number of short and long term consequences for children, including depression, behavioral problems, and school problems.

Research is increasingly finding that the consequences of poverty on children limits their future productivity. When children grow up in poverty, they are more likely as adults to have lower earnings, which, in turn, reflects lower productivity in the workforce. They are also more likely to engage in crime and have poor health later in life. These outcomes directly impact criminal justice and health care systems costs and lead to a loss of goods and services to the U.S. economy. Research funded by the Urban Institute estimates the costs to the U.S. associated with childhood poverty amount to about $500 billion per year, the equivalent of nearly four percent of the Gross Domestic Product (GDP). Each year, child poverty is estimated to reduce productivity and economic output by 1.3 percent of GDP; raise the cost of crime by 1.3 percent GDP; and raise health expenditures and reduce the value of health by 1.2 percent GDP.

More than a decade of research shows that increasing the incomes of low income families, without any other changes, can positively affect child development, especially for younger children. Welfare programs that increase family income through employment and earnings supplements have consistently shown improvements in school achievement among elementary school-age children. In contrast, welfare programs that increase levels of employment without increasing income have shown few consistent effects on children. Furthermore, findings from welfare-to-work experiments show that when programs reduce income, children are sometimes adversely affected.

All of these findings suggest that although the Administration's CalWORKs budget proposals will result in short-term General Fund savings, the short- and long-term costs resulting from children growing up in poverty could far outweigh those savings. Those other costs are not acknowledged in the Administration's proposed budget. Furthermore, policy changes should consider not just increasing employment rates among CalWORKs recipients, but also changes that will improve the incomes and self-sufficiency of recipients.

Issue 6: Impact of Recent Policy Changes and Governor's Budget on Work Participation Rate (WPR)

It is important to note that the state does not need to implement the Administration's proposals to meet the required federal work participation rate in 2007-08.

The significant policy changes made by the Legislature discussed in the previous section will have a positive effect on California's WPR. The 2007-08 Governor's Budget estimates that together these changes will increase the WPR by 5.3 percent in FFY

2007 (state fiscal year 2006-07) and 11.4 percent in FFY 2008 (state fiscal year 2007-08). The impact of specific policies is summarized in the following table.

**Estimated Work Participation Rates—
Based on Current Law**

	Federal Fiscal Year			
	2007		2008	
Base participation rate		23.3%		23.3%
Projected increase from policy changes				
Homeless assistance	0.2%		0.5%	
Ending durational sanctions	1.0		1.0	
All other policies	4.0		10.0	
Subtotals		5.3%		11.4%
Total Estimated Participation Rate		**28.6%**		**34.7%**

Totals may not add due to rounding.
Source: LAO 2007-08 Budget Analysis

States are required to meet a WPR of 50 percent, less their caseload reduction credit. Currently, California's participation is about 23 percent, but as shown in table above, the budget assumes an increase of 5.3 percent and 11.4 percent in 2006-07 and 2007-08, respectively, as a result of the implementation of the recent policy changes. When the caseload reduction credit is factored in, California is projected to be 16.7 percent below the required WPR in FFY 2007, but 1.7 percent above the requirement in FFY 2008. The calculation of the estimated shortfall and surplus is displayed in the following table.

Estimated Work Participation Shortfall(-)/Surplus Without Governor's Budget Proposals

	Federal Fiscal Year (FFY)			
	2007		2008	
Federal requirement		50.0%		50.0%
Caseload reduction credit				
"Natural" caseload decline since FFY 2005	3.5%		4.1%	
Excess MOE reduction	1.2		12.9	
Total Credit		4.7%		17.0%
Net requirement		45.3%		33.0%
Estimated participation rate (see Figure 5)		28.6%		34.7%
Estimated Participation Shortfall(-)/Surplus		**-16.7%**		**1.7%**

MOE = maintenance-of-effort.
Source: LAO 2007-08 Budget Analysis

According to the Administration, the full-family sanction and the restricted safety net proposals are intended to increase California's work participation rate. The 2007-08

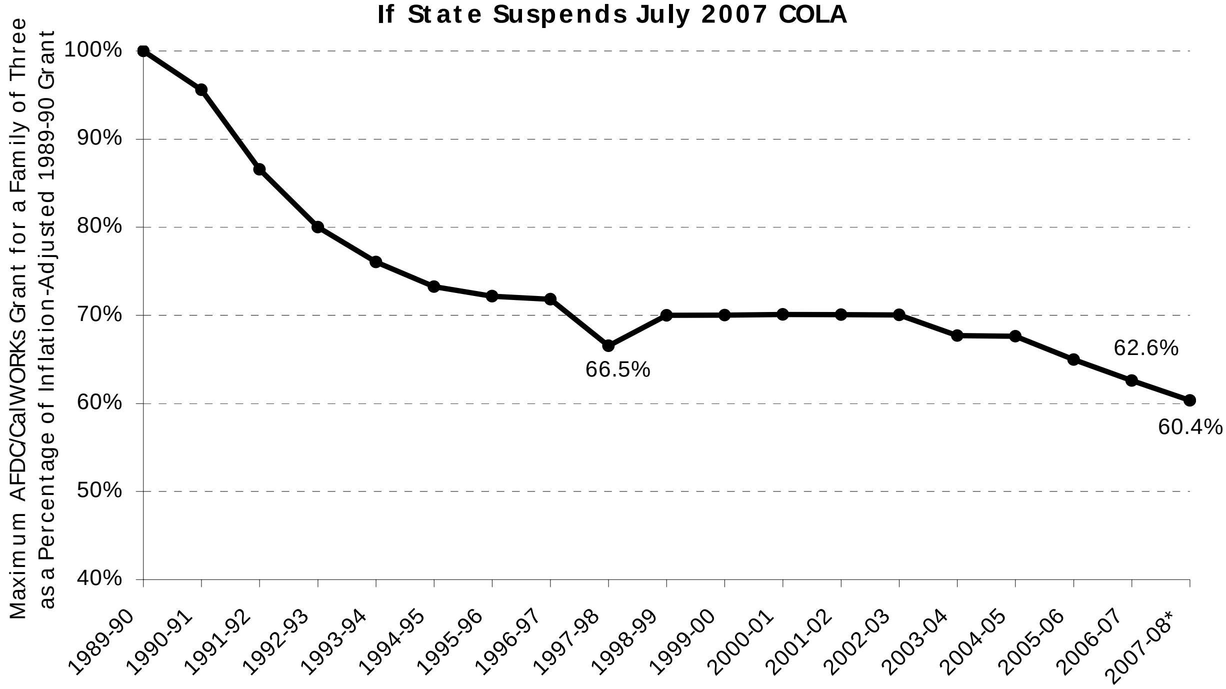
Governor's Budget estimates that the combination of these policies will result in a six percent increase in FFY 2008 (which is state fiscal year 2007-08) and 13 percent in FFY 2009 (which is state fiscal year 2008-09). The impact of the Administration's proposals would not change the WPR shortfall in FFY 2007, but would increase the surplus to 7.7 percent in 2007-08.

Issue 7: CalWORKs Cost-of-Living Adjustment (COLA)

The Administration proposes to suspend the statutory cost-of-living adjustment (COLA) for CalWORKs grants to achieve savings of $124.4 million. CalWORKs grants have been frozen since 2004-05. Current law requires the CalWORKs grant be adjusted each July based on the change in the California Necessities Index (CNI). From December 2005 to December 2006, the CNI increased by 3.7 percent. (The Governor's Budget was released before the final CNI data was available and estimated the COLA to be 4.2 percent, resulting in a savings of $140.3 million.)

Maximum Aid Payment (MAP) Would be Reduced: Under current law, the maximum monthly grant for a family of three would have increased by $27 to $750 per month. The proposed COLA suspension holds the maximum monthly grant for a family of three with no earnings constant at $723 per month. This grant level is only $29 (4.2 percent) more than the maximum aid amount provided to AFDC recipients in 1989. At the same time, the purchasing power of the grant in 2007-08 is estimated to only be 60.4 percent of the 1989 level, a 37.4 percent drop in purchasing power.

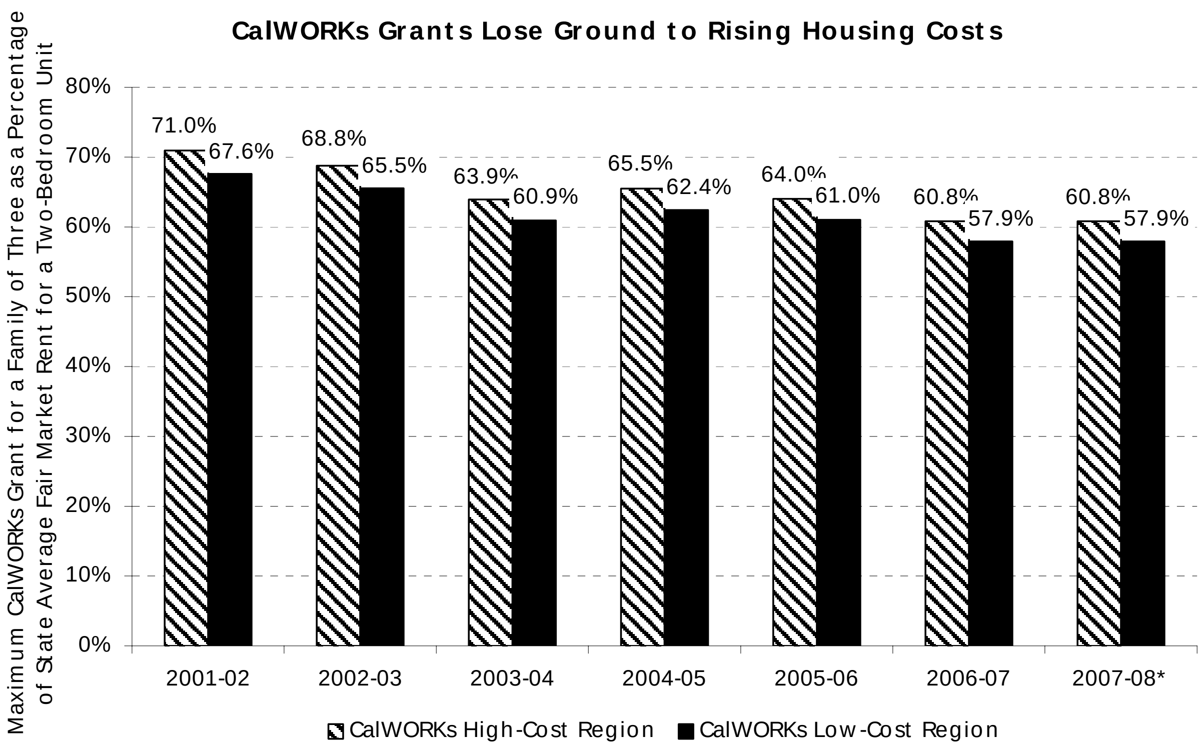
Purchasing Power of CalWORKs Grants Will Decline Further If State Suspends July 2007 COLA



* 2007-08 proposed.
Source: Department of Finance and Department of Social Services Data; chart prepared by the California Budget

Grant Payments Compared to Other States and Housing Costs: The Administration indicates that California's grant levels are currently the highest among the ten most populous states. However, CalWORKs recipients spend much of their grants on rent, due to the high cost of housing in California. According to the U.S. Department of Housing and Urban Development, fair market rents (FMRs) for a two-bedroom apartment in California average $1,189 per month and range from $598 in Glenn County to $1,551 in San Francisco County. The proposed maximum grant for a family of three would be $723.

In 2001-02, the maximum monthly grant for a family of three in high-cost counties equaled 71.0 percent of the average FMR for a two-bedroom unit statewide. By 2007-08, the maximum grant is projected to drop to 60.8 percent of the statewide FMR. Furthermore, FMRs exceed the maximum grant in more than two-thirds of the state's 58 counties.



* Proposed CalWORKs grant level.
Source: California Budget Project analysis of National Low Income Housing Coalition, Department of Social Services, and Department of Finance data

October 2003 Litigation: A superior court has ruled in the *Guillen* court case that the October 2003 COLA (which was tied in statute to reductions in the vehicle license fee) is required by current law. In December 2006, an appellate court heard the state's appeal and in February 2007, ruled in the state's favor. As a result of this ruling, the state has avoided payment of one-time grant costs of $434 million and on-going costs of $114 million. The appellate court reversal of the superior court decision was not unanimous and it is not yet known if the plaintiffs will appeal the reversal.

Issue 8: Semiannual Reporting Trailer Bill Language

Description: The Governor's budget includes proposed trailer bill language to move from the current quarterly reporting system to semiannual reporting. California's quarterly reporting federal waiver will expire on September 30, 2007 and the state needs to either move to a semiannual reporting system or revert to a monthly change reporting system.

Background: Under existing law, the county is required to annually redetermine eligibility for CalWORKs benefits and requires the county to redetermine recipient eligibility and grant amounts on a quarterly basis, using prospective budgeting, and to prospectively determine the grant amount that a recipient is entitled to receive for each month of the quarterly reporting period. Current law requires a CalWORKs recipient to report to the county, orally or in writing, specified changes, such as in income or household composition that could affect the amount of aid to which the recipient is entitled and requires the quarterly redetermination report form to be signed by the recipient under penalty of perjury.

Proposed Trailer Bill Language: Including moving to semiannual reporting, the trailer bill language requires that recipients report at any time during a semiannual reporting period of an increase or decrease in monthly income of $100 or more. The $100 increase or decrease must be reported whether it occurs all at once or accumulates over one or more months of the semiannual period to a point where the recipient's total income has increased or decreased by at least $100. This notification of change constitutes what is termed "change reporting" in the proposed shift to semiannual reporting.

Reporting Mechanisms: There are three main approaches to the reporting of changes between reviews: change reporting, periodic reporting, and no reporting or continuous eligibility. Under food stamp simplified reporting rules:

- Recipients must submit updated information about the household's circumstances every six months. This updated information can be collected through a semiannual, mail-in report form or through the recertification process. States must recertify food stamp eligibility for families at least every 12 months.

- Between semi-annual reports or recertifications, households only have to report a change if it results in the household's income rising above 130 percent of the poverty line. Households may choose to report other changes, such as loss of income, and may receive increased benefits if those changes so warrant.

Federal Food Stamp Benefits and Simplification: Prior to 2001, the federal food stamp reporting rules typically required recipients either to report almost any change in their circumstances, within 10 days, or to submit monthly reports updating eligibility information, regardless of whether any of a household's circumstances had changed. These federal requirements affected all aspects of a welfare office, including the reporting rules in other programs. Even if a state were interested in less onerous reporting in another program, such as Medicaid, since many participants in those other programs also received food stamps, the Food Stamp Program's rules dominated families' experiences. Administrators often would comment that the food stamp rules constrained simplification in other programs and "drove" the complexity.

The simplified reporting option was added to the Food Stamp Program initially by regulation in 2001 and was expanded as part of the 2002 Farm Bill. Federal and state policymakers were supportive of this approach for several reasons:

- It reduces unnecessary paperwork for food stamp recipients: Concerned about falling participation rates among eligible households, particularly working families, policymakers concluded that the "hassle factor" to participating in the program should be reduced.

- It reduces workload on agencies: States have been particularly interested in this new option, in part, because it should reduce the time caseworkers must spend processing recertifications or reports of changes in circumstances. In addition, the option can help lower states' payment error rates.

- It provides a work incentive: Under semi-annual reporting, recipients whose earnings rise typically do not see an immediate reduction in their food stamp benefits because benefits are not adjusted until the six month point. This gives families a modest additional work incentive.

County Perspective: The California Welfare Directors Association (CWDA) reports that when quarterly reporting was established in 2002, it was hoped that administrative costs would decrease due to fewer reports being received from recipients. Unfortunately, the savings did not materialize because quarterly reporting was structured in a way that resulted in recipients often reporting several times during the quarter and even during the same month. Over a period of several years, despite the continued workload, the budget assumed savings for both CalWORKs and Food Stamps that were far too great. CWDA helped to collect data on actual county experience with the quarterly reporting process, which demonstrated that the estimated savings had not been achieved. Funding was restored to CalWORKs in the 2006-07 Budget Act, in recognition of this fact.

Administration's Cost Estimates: Based on legislation in the 2006-07 session, the Administration estimates that the net cost of moving to semiannual reporting without change reporting will be $40 million per year. Total grant costs would be $71 million due to non-compliant CalWORKs recipients receiving grants for one to five months more than they should be and other situations, which includes such issues as fraud cases receiving additional months of aid and cases that would receive additional months of aid even though they have hit the income limits and income reporting threshold. (The DSS estimates that the cases of fraud receiving additional months of aid would cost $32,300 per year.) The $71 million would be offset by $31 million in CalWORKs administrative savings.

The assumption DSS used to arrive at the number of cases that would inappropriately receive CalWORKs benefits for an additional one to five months is misleading. DSS calculated the number of these cases by looking at the number of cases that were discontinued due to failure to file the monthly report and comparing that to the number of cases that were discontinued due to the failure to file the quarterly report. The only known reason these cases were no longer eligible for the grant was due to their failure to file the reports. These cases may otherwise have been eligible to continue receiving CalWORKs grants. Shifting to semiannual reporting could maintain benefits for recipients who are eligible to receive them. It could be argued that the state was achieving grant savings by imposing administrative hurdles that cut recipients off of aid, rather than by recipients actually receiving higher incomes.

Furthermore, these net costs do not take into account Food Stamp administrative savings of $33 million that DSS estimated would be achieved, which would reduce the estimated net costs further.

Issue 9: State Support for CalWORKs

Description: The budget includes two requests for resources for the Department of Social Services (DSS) to support TANF reauthorization and AB 1808 activities.

1. **Support for TANF Reauthorization.** The budget requests $2.2 million in federal fund authority and 20 positions for DSS to support data collection for federal work participation in each county, including verification of data and reporting procedures, and to perform oversight and field monitoring of county procedures and case documentation for verification of recipient participation hours at the county level. These positions are intended to improve monitoring and measurement of the performance of counties to meet new federal data quality assurance mandates.

2. **Support for AB 1808 Activities.** The budget requests $832,000 in federal fund authority and seven limited-term positions for DSS to hold regular performance outcome measurement meetings with the counties to highlight best practices and identify obstacles to performance, and conduct county peer/state reviews to assist counties in improving work participation rates and implementation of the CalWORKs program. The DSS request also includes $250,000 to fund a contract with a consultant to design, develop, and implement a statewide performance indicator system for the CalWORKs program in the counties. In addition, the budget proposes to use $244,000 in TANF funds to support county welfare departments' participation in the county/state peer reviews. These funds would be used for travel, per diem, and backfilling staff costs.

Staff Recommendation: Hold open.

Issue 10: Index of CalWORKs Topics within Issues